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OCTOBER 14, 1987
A Cahners publication serving the total foodservice industry

RESTAURANTS & INSTITUTIONS

P0616966 (1041/ 00
SRI ACQUISITIONS
CONGRESSIONAL INFO SVC
4520 EAST WEST HWY
BETHESDA MD 20814

OCT. 14, 1987

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R&I REPORT

■ CITY BEAT

Houston Has But One Way to Go

Restaurateurs believe the Texas economy has hit bottom and the hard times will soon give way to renewed growth.

A ray of hope has pierced Houston's economy.

During the late 1970s and early 1980s, when the oil business was booming, Houston was touted as the place to be.

The restaurant industry in the area exhibited annual growth in the neighborhood of 15% from the mid-1970s until 1983 when the price of oil started to drop dramatically, according to Glen Rax of the Houston Restaurant Association.

"What really created the majority of problems for restaurants in the Houston area was that each year growth was anticipated to be as good or better than the previous historical growth," Rax says. "Operators spent a lot of money and incurred debt betting on the future. When the oil bust came, many were put in a real bind to cover debt and overhead."

During the good years, there was an average of 800 customers per restaurant location. But eager restaurateurs overbuilt the market, and when unemployed oil workers began to leave the state, that number dropped to 300 by 1985.

After several years of doom and gloom, however, the attitude of many of the city's restaurateurs has shifted to one of guarded optimism. The sentiment voiced most often: "Things just can't get any worse."

"This is the first year in the past three that we have not had a tremendous downslide," says Bob Borochoff, who owns three independent operations in the Houston area. "In fact, in the past three or four months, we've shown increases, which is a welcome and unusual development. We're definitely in a flat period, and there's a general opinion that we're going to see an upswing soon."

Borochoff says while there is no consensus as to what the future holds, Houston has adjusted to its less prosperous economic condition and demand is finally meeting supply.

"For the first time in years, I have great optimism," Borochoff continues. "I don't expect a boom, but it's nice not to be sliding downhill. All the local economists are telling us that we've hit bottom and it's just a matter of time until we start going up again. We're all hopeful for that."

Duncan McCoy is a Houston restaurateur who recently purchased the five-unit (three in the Houston area) Texas Tumbleweed chain out of bankruptcy. He says the picture already is brighter for the company. This is the result of both the improved local economy and his decision to diversify the menu, adding seafood, chicken and other items to the strictly steak menu.

"We're already making money, and we've had a major turnaround here in the employees' attitude," McCoy says. He points out that the company's bankruptcy had a depressing effect on employees, who were unsure how much longer they would have jobs. Under the new ownership, employees have a new lease on life, which McCoy feels is definitely helping increase sales.

"I do believe we're on the upswing," he says with quiet optimism. "In fact, I own another restaurant where we're about 30% over and above what we did last year and this restaurant is right in the very dead middle of an oil-related area.

"We're so oil-related that everyone who comes into my restaurant works for a company that produces something for the oil business," he notes. "All of them are showing an increase. Everybody's up."

While oil is still the stronghold of the Houston economy, the Chamber of Commerce reports businesses connected with the aerospace industry and biotechnology are currently being wooed with the hope of revitalizing the local economy.

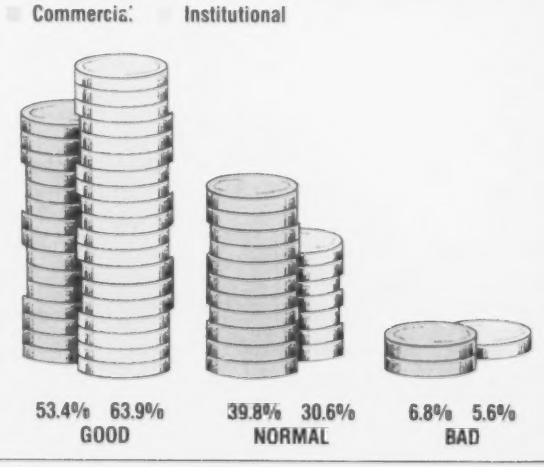
Such efforts take on added importance in light of the fact that the unemployment rate is 10.5% and has been that high for some time. But while newcomers are no longer flocking to Houston, residents are not fleeing either. The Chamber has noted no drastic change in the population.

—Robert Keane

■ R&I DATA

SALES NOW: AN INSTITUTIONAL SUCCESS

Institutional operators reporting good sales increased from 43% in May to 63.9% in the June Business Confidence Index. Employee feeders made the biggest leap, jumping from 25% in May to 68.8% in June. Colleges and universities reporting strong sales increased 50% between May and June. On the commercial side, confidence returned to normal as operators reporting good sales dipped from 61.4% to 53.4%.



1987 *Restaurants & Institutions*, a Cahners publication

COVER STORY

■ CHAINS

1987 GROWTH CHAINS

By Lisa Bertagnoli, Brad Stratton, Monica Kass and John Sheehan

R&I presents the 1987 Growth Chains, poised for growth through carefully executed company plans or with the help of franchisees.

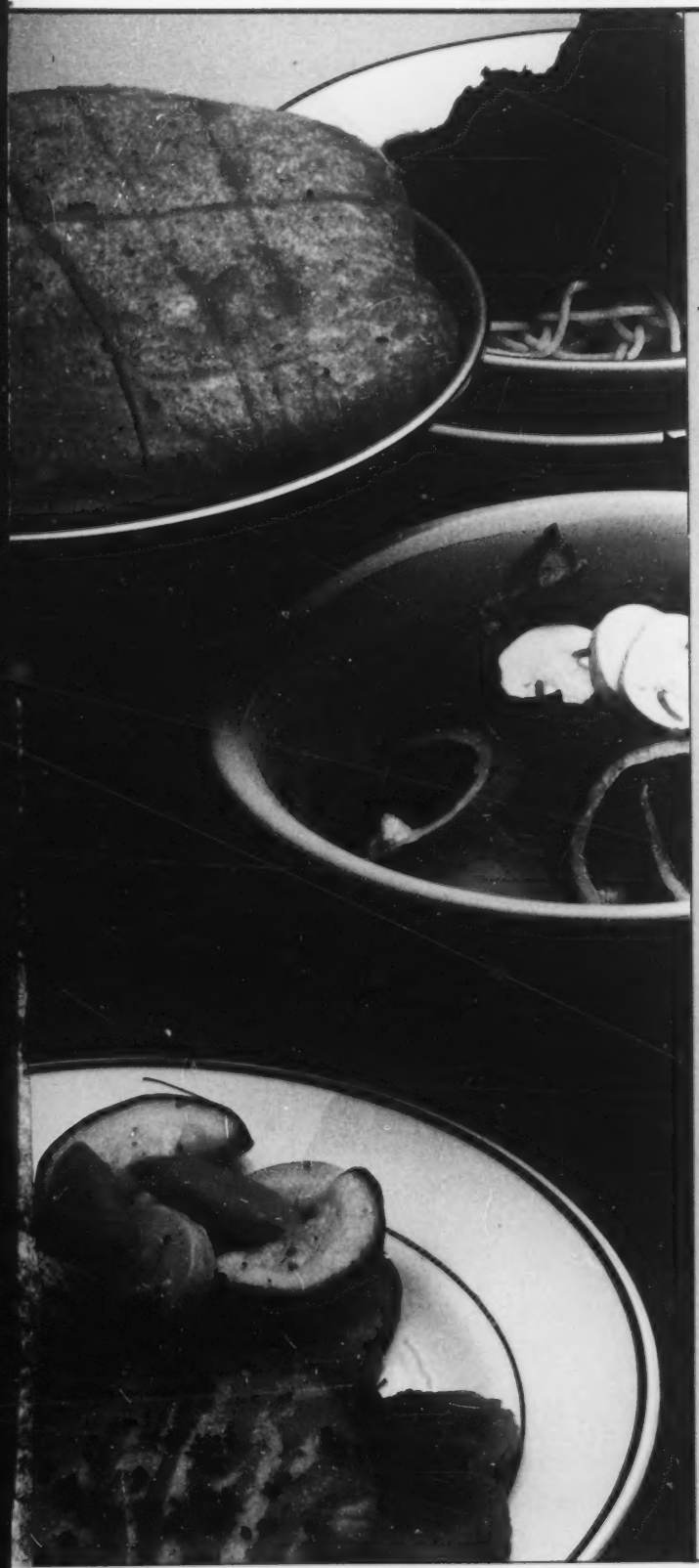
This batch of 53 companies, chosen from scores of candidates, is smaller than those of previous years. The impact of tax reform, as well as poor economic conditions in parts of the country, resulted in fewer business start-ups. A total of 13,375 new eating and drinking places opened in 1986, 2.7% fewer than in 1985.

Large companies took advantage of the situation to look more closely at marketing strategies, a move that resulted in spin-offs and brand-new concepts. Grisanti's, a casual Italian concept recently bought by Imasco, caters to adults who want Italian—not pizza—in sophisticated yet casual surroundings. Bonanza franchisor USACafes launched Ribby's after studies proved barbecue and takeout are on the brink of being big. And S&A Restaurant Corp. opened Key West, its funky Caribbean seafood concept.

Drive-thrus that serve Italian and Mexican food, storefronts selling only *pommes frites* and coffee shops offering java by the pound or cup prove that through ups and downs, the industry continues to innovate.

The following are abbreviations used in Growth Chains: PC: parent company. MM: millions. n/a: not available.

RESTAURANTS & INSTITUTIONS



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1987 GROWTH CHAINS

PIZZA/ITALIAN

American's desire for Italian food and pizza continues to grow, as does the number of chains looking to put pasta, pesto, Parmesan, provolone and pepperoni onto the palates of the people.

ALBERT WOULD BE PROUD

Grisanti Inc., Louisville, Ky. PC: Imasco USA. Projected 1987 sales: n/a. 9 units 1/1/88. Michael Grisanti, president, CEO.

The Grisanti chain is poised to triple in size following the recent acquisition of 19 Casa Lupita restaurants from Ponderosa Inc.

Albert and Ferd Grisanti opened Casa Grisanti in 1959. The brothers drew upon what they had learned from their parents, both natives of Northwest Italy. Ferd left the business, but Michael and Don, Albert's sons, joined it and redesigned both the interior and the menu of the original restaurant. Sadly, Albert died before the transition was complete. Additional restaurants were opened, honors were won (including the *Restaurants & Institutions* Ivy Award) and in 1984, the company was merged into Imasco USA.

The acquisition combined an established Northern Italian restaurant concept with enough corporate power to create a chain with the potential to be the first national Italian chain. Michael Grisanti says the Grisanti chain will not lose sight of his family's original intentions: to keep the restaurants family-oriented, medium-priced and casual.

LORD OF THE MUNCH

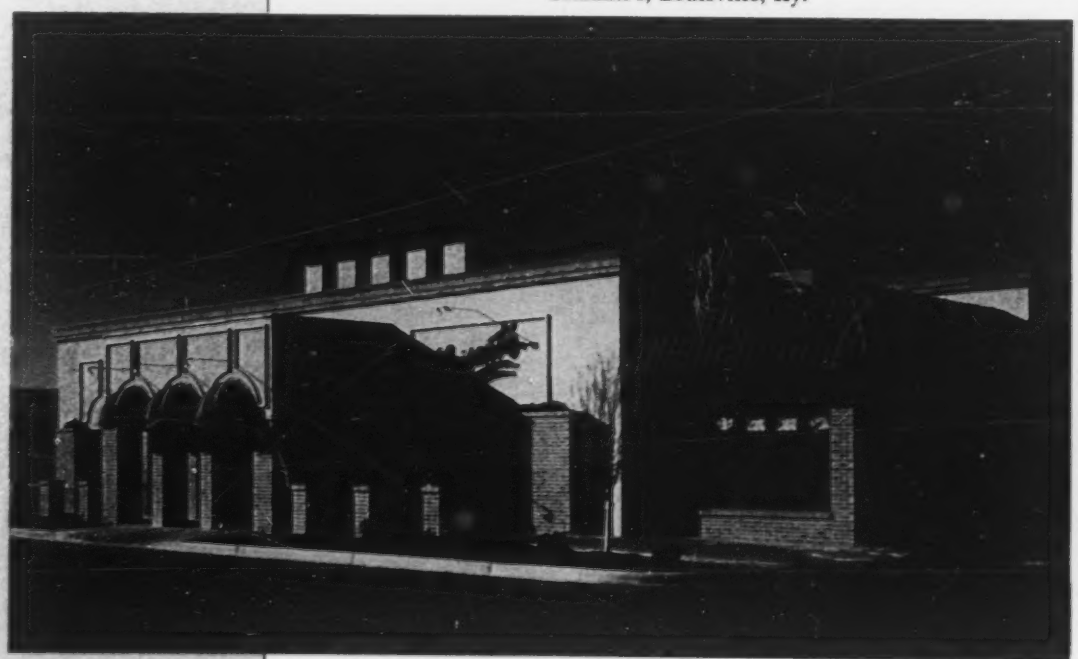
Lord Munchies, Gainesville, Fla. PC: Lord M. Projected 1987 sales: $3.8MM. 10 units 1/1/88. Earl Poucher, president.

Working with the idea that making a great pizza is important, but a good business system is crucial, Earl Poucher bought Lord M Corp. in 1985 and set about making major changes. For starters, he totally changed the restaurant decor, logo and product. (He invented the chain's popular golden honey-flavored crust, which is sweeter and lighter than most pizza crusts.) He then developed a computer system to handle daily reports at each location, streamlining paperwork, and set up a commissary system to handle vegetable and dough production.

Poucher's system has attracted several major franchisees. Southland Foods has total franchise rights for Tennessee and expects to have 15 stores operating by mid-1988. Southeast Pizza has franchise rights to 30 cities in Southeast Alabama and Southwest Georgia and plans to have 20 stores built in the next five years.

Gainesville, Fla., is the company's best-covered market area, featuring 24-hour delivery and a breakfast pizza.

Grisanti's, Louisville, Ky.



THIS CONCEPT ISN'T THE PITS

Pizza Pit Ltd., Madison, Wis. Projected 1987 sales: $12MM. 24 units 1/1/88. Terry Voice, president.

President Terry Voice knows the value of good public relations in the community. Each year for the past eight his chain has trained volunteers to take over operations in the company's hometown of Madison, Wis., for one night for an event known as Neighborhood Night. The company then donates 35% of revenues toward United Neighborhood Centers. The event has generated $31,000 in donations, including more than $5,300 in 1986, since it began.

Such goodwill helps the 18-year-old chain that promises to deliver its pizza, sandwiches and salads in 30 minutes or less.

Voice says the company will open about six restaurants during 1987 and looks to add as many as five during 1988. Franchising began in 1983 and currently accounts for six of the operation's units.

The average unit's volume is at a healthy $525,000, nearly $90,000 more than the national average for pizza restaurants. There is limited seating at some restaurants because the company focuses on takeout and delivery.

PLAYING FOR NO. 2 POSITION

CheckerBoard International, Minneapolis. Projected 1987 sales: $2MM. 25 units 1/1/88. Robert Zorb, president; David Fluke, CEO.

Big plans are on this CheckerBoard. The company doesn't plan to be the No. 1 pizza delivery chain, just No. 2. Its short-term goal is to be one of the top 20 pizza chains within a year. To accomplish this, CheckerBoard says it will open four restaurants a month through the end of the year and five a month through May 1988. It is hoped that 50 will be opened for all of 1988 and 450 by 1990.

At the heart of development is the company's pizza, which is loaded with toppings and features quality ingredients. Fast service is promised, with the industry-standard 30 minute delivery time guaranteed.

To help CheckerBoard enter the national picture, in May the company signed on David Fluke as chief executive officer. He brings to the company exactly the experience it desires: Fluke was Midwest regional director for Domino's Pizza Inc. for the previous two years.

CheckerBoard has been a publicly traded company since its inception in September 1986. The average unit volume has hit $333,000, and the average check is at $10. Five of the 11 units open by mid-summer were company-owned.

JOHNNY'S WANTS ITS SHARE

Johnny's Pizza, West Monroe, La. Projected 1987 sales: $16MM. 45 units 1/1/88. John Huntsman, chairman, president; Bernie Lear, senior vice president.

Bernie Lear knows a growing market when he sees one. The recently promoted senior vice president of Johnny's Pizza says he believes the pizza home-delivery market will be a $12 billion market by 1990 and he wants Johnny's Pizza to get its share of those dollars.

"We are ready to take advantage of the increased franchise opportunities offered by the pizza home-delivery market," says Lear.

The standard offering at Johnny's is a pizza with a crust of medium thickness. The company annually sells $495,000 worth of this product and other foods and beverages at each of its units.

The first Johnny's opened in Monroe, La., in 1968. It started as a full-service restaurant concept but since has developed a delivery-only operation that also is available to prospective franchisees. Franchisees account for a little less than half the system's units. In addition to Louisiana, Johnny's Pizza restaurants are open in Mississippi and Arkansas.

ALL EYES ON QUALITY

Big O's Pizza, Chattanooga. PC: Southern Hospitality. Projected 1987 sales: n/a. 8 units 1/1/88. Henry Hillenmeyer, president, COO.

Southern Hospitality used to be a major franchisee of Mr. Gatti's pizza restaurants in the Nashville area and still owns 55 Wendy's. The experience formed the company's philosophy that food quality is a major key to restaurant success.

"Just look at Wendy's," says Henry Hillenmeyer, president of the company's newest venture, Big O's. "Wendy's got into the burger business 13 years after the other guys and no one took them seriously. Their attention to quality is what gave them the impact they've had."

The quality focus explains Big O's approach to pizza making. "We worked for five or six years to perfect our product," says Hillenmeyer.

Southern Hospitality opened Big O's when it saw that a delivery-only operation was the way to go. The first eight company-owned units are in the Chattanooga market area. "Once we totally dominate that market, we'll think about franchising," says Hillenmeyer.

1987 GROWTH CHAINS

ETHNIC

Foreign flavors find favor with American taste buds. More Mexican food comes north of the Rio Grande, while Indian, Belgian and Chinese foods prove that the United States remains the great melting pot.

AN UNLIKELY COMBINATION

El Sombrero Restaurants, Milwaukee. Projected 1987 sales: $4.5MM. 5 units 1/1/88. Yogi Shah, owner.

An Indian operating a Mexican chain in a city known for its German cuisine? That's what Yogi Shah is doing in Milwaukee with El Sombrero.

Shah came to the United States from Bombay to study engineering, but decided running a restaurant was where he wanted to focus his talents. In 1974 he borrowed $4,000 and combined it with his own funds to purchase a restaurant in a Milwaukee neighborhood with a heavy Mexican concentration. It wasn't until 12 years had passed that Shah felt confident enough to open a second restaurant.

Since then, Wisconsinites also have been patronizing El Sombrero's all-you-can-eat Mexican buffet line in Madison and Brookfield, the latter an affluent western suburb of Milwaukee. The buffet provides Mexican food for a reasonable $4.95 at lunch and $5.95 at dinner. With beverages, the average checks come out to $6.50 for lunch and $8.50 for dinner.

As many as 10 El Sombrero units are scheduled to open during 1988 around Wisconsin and in the Chicago area.

AT HOME IN THE NORTHEAST

Marita's Cantina, Princeton, N.J. PC: Landis Food Services. Projected 1987 sales: $6MM. 10 units 1/1/88. Mitchell Landis, president; Kevin Kruse, director of operations.

Though its menu comes from the Southwest, Marita's Cantina sees no reason to expand beyond the Northeast. "We have seen regional dinner house operators thrive, while national operators struggle with regional tastes and an inability to supervise restaurants spread all over the country," says President Mitchell Landis.

The chain specializes in full-service Mexican restaurants, although it does have a single fast-food mall unit in operation and a second on the drawing boards. No cookie cutter is evident at Marita's because the company strives to come up with a unique interior each time it opens a new outlet. Landis says it is faster, cheaper and adds to the overall decor to adapt Marita's to an existing structure rather than having a set Marita's design to place in each existing building the company acquires.

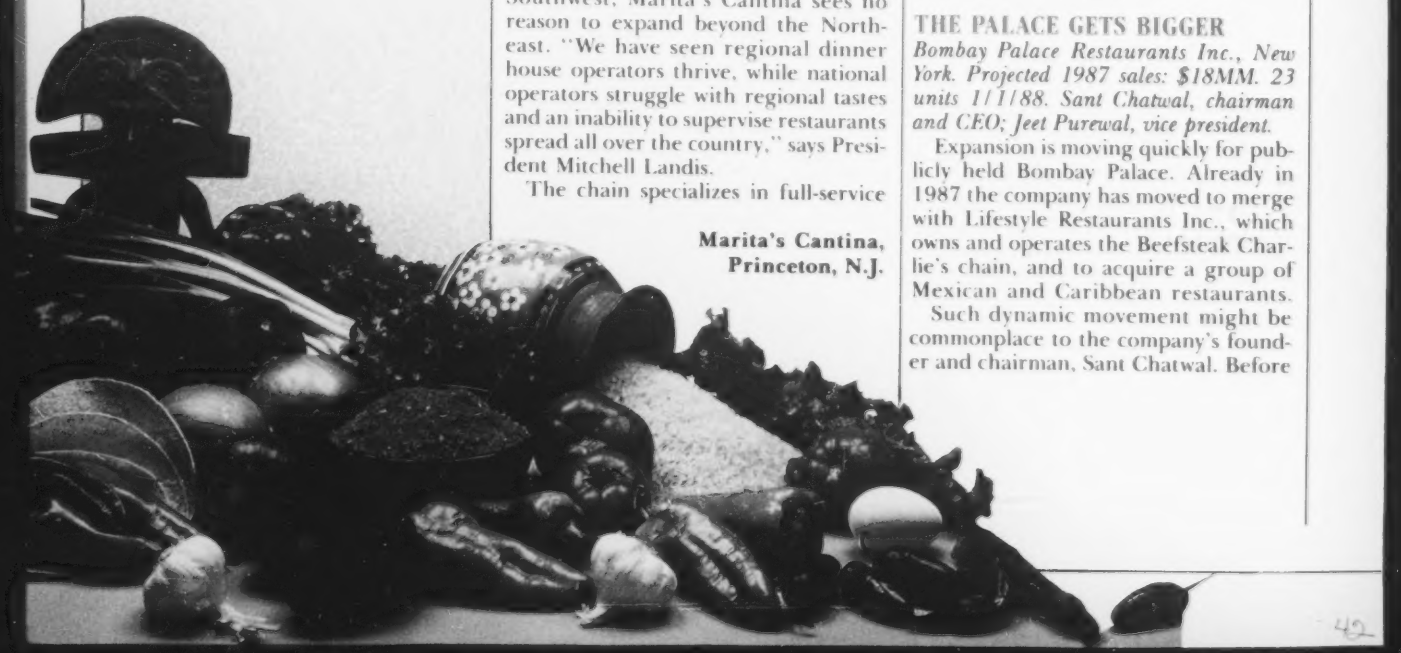
El Sombrero Restaurants, Milwaukee

THE PALACE GETS BIGGER

Bombay Palace Restaurants Inc., New York. Projected 1987 sales: $18MM. 23 units 1/1/88. Sant Chatwal, chairman and CEO; Jeet Purewal, vice president.

Expansion is moving quickly for publicly held Bombay Palace. Already in 1987 the company has moved to merge with Lifestyle Restaurants Inc., which owns and operates the Beefsteak Charlie's chain, and to acquire a group of Mexican and Caribbean restaurants.

Such dynamic movement might be commonplace to the company's founder and chairman, Sant Chatwal. Before



Marita's Cantina, Princeton, N.J.

locating in the United States, Chatwal served as an aircraft carrier pilot-officer in India, and owned and operated restaurants in Ethiopia and Montreal. In addition to his Bombay Palace operations, he owns eight other restaurants and five hotels.

The menu at Bombay Palace features authentic Indian chicken, lamb and shrimp recipes. Following the national trend, there has been less emphasis on alcoholic beverage sales and more on food preparation during the past few years.

Average annual sales at each Bombay Palace exceeds $1 million, with average lunch checks at about $15 and dinner at about $21.

THE ULTIMATE FRY

JUST THE FREETS, MA'AM

P. Freetly's, Chicago. Projected 1987 sales: n/a. 2 units 1/1/88. Philip McCaleb, owner.

They can be made of potatoes, chicken, zucchini or fish, but they're still freets. And freets are the only food sold at P. Freetly's.

Freets, according to owner Philip McCaleb, are Belgian french fries. While french fries are treated as a side dish in the United States, they are treated as a main course in Belgium. To that end, P. Freetly's offers the fries in amounts of 10 to 12 ounces, 22 to 24 ounces and 3 pounds for $1.99, $2.99 and $3.99, respectively.

The freets are served with a choice of 12 different sauces, including lemon herb, Creole cocktail, sesame horseradish, and garlic and herb cheese.

To accompany the potato freets, side dishes of chicken, zucchini and fish freets are available. The shops, both located in downtown Chicago, also serve soft drinks, coffee and tea.

McCaleb concedes that serving just freets is an "extremely radical concept." But at least memorizing the menu will be easy for new employees.

NO NEED TO WOK TO WALLY'S

Wally Wok, Honolulu. Projected 1987 sales: $400K. 2 units 1/1/88. Wally Chung, president; Dr. Ken Murakoa, vice president.

There's nothing usual at Wally Wok. The fledgling Chinese food chain is not only delivering its lunches and dinners, and never preparing a dish before it is ordered, but it also is serving complex meals while never using monosodium glutamate.

The company says about 40% of its meals are delivered, a higher-than-anticipated percentage. It also claims to be giving the big-name pizza delivery chains heavy competition.

Wally Wok's menu is filled with attractive offerings such as San Francisco-style roast duck and chicken, its World Famous Noodle Basket filled with freshly cooked vegetables and covered with a light sauce, and the Wok-It Pita Pocket filled with either Mongolian pepper steak or Char Siu and chicken.

So far the company has done well with the youth market attending the University of Hawaii. The next unit is proposed for a site nearer to downtown. Beyond that, some consideration is being given to taking Wally to the mainland.

Units have just 20 seats and offer no alcohol. A majority of business comes at lunch, and the average check is $4.76.

RESTAURANTS AS BIG AS TEXAS

J. Pepe's Mexican Restaurant & Cantina, Dallas. PC: Mexican Food Ventures. Projected 1987 sales: $4.4MM. 4 units 1/1/88. Tom Stark, president.

J. Pepe's has gotten into the Dallas-Fort Worth Tex-Mex scene in a big way.

J. Pepe's Mexican Restaurant And Cantina

The 4-year-old chain is opening large restaurants (the smallest seats 225) fashioned as border cantinas with arched doorways, Spanish tile roofs and large outdoor patio dining areas.

President Tom Stark says the recipes adhere to honesty in preparation. All items are cooked from scratch daily. Top sellers include Acapulco Chicken, which is marinated in 14 ingredients then charbroiled; Paradise Shrimp, which are wrapped in bacon and stuffed with cheese; and fajitas.

The downtown Dallas restaurant appeals to the business crowd and has a higher average check and percentage of alcoholic beverage sales. However, the company intends to gear its suburban restaurants toward families.

Two J. Pepe's restaurants opened during 1987 and plans call for three more during 1988.

1987 GROWTH CHAINS

TREATS

Chains offering high-fat, high-calorie, tempting treats sprout every year, proving that the "diet dichotomy" is indeed running rampant. As long as America exercises, cinnamon buns will roll and ice cream blenders will turn.

BLENDED TREATS BIG IN JAPAN

Hobson's Fine Blended Ice Creams, Santa Barbara, Calif. Projected 1987 sales: $25MM. 20 units 1/1/88. Allan Levine, chairman.

Hobson's customers, working with 12 ice cream flavors, 11 blend-in ingredients and eight toppings, can enjoy 4,427,600 different combinations. Ice cream flavors range from bittersweet chocolate to apple pie. Blend-ins include boysenberries and peanut-butter cups, while rum-soaked raisins as well as whipped cream grace the toppings list. The most popular combination, says Chairman Allan Levine, is cappuccino ice cream and Oreo cookies. Checks average $2.

The company was founded in 1983. The 10 company-owned units are located in California; 35 franchised stores are open in California, Japan and Taiwan. Average unit volumes in the United States are about $225,000. In Japan, average sales reach upwards of $1.5 million. "In Japan, people will wait in line until three in the morning for ice cream," says Levine. Hobson's spends very little on advertising, he adds. "We rely on word-of-mouth."

The company opened 10 units in 1987, and hopes to open the same number next year.

Hobson's counts more than 4 million ice cream/blend-in/topping combinations.

Twistee Treat features "firm serve."

A CONE INSIDE A CONE

Twistee Treat, North Fort Myers, Fla. Projected 1987 sales: $3MM-4MM. 38 units 1/1/88. Robert G. Skinner, chairman. Lee Lanktree, president.

Customers craving a Twistee Treat need only look for the buildings shaped like an ice cream cone. Inside, they can order firm-serve ice cream that, according to a company spokeswoman, is harder than soft-serve but softer than hard ice cream. The menu includes sundaes, shakes and splits as well as cones. Six flavors, picked from a stable of more than 50, are offered daily, as is a low-calorie version of Twistee Treat.

The company was founded in 1982 with $7.26 million, raised in a public offering.

The company has sold franchise packages that call for 380 units to open in the New York metropolitan area and 120 units to open in California during the next seven years. Letters of intent have been signed for expansion into Hawaii and Texas.

Franchisees are encouraged to buy the cone-shaped building and accompanying equipment package for $155,000 to $185,000, depending on the location. The franchisee fee is $100,000. Royalties are not charged, although franchise agreements provide for a 2½% fee.

SHE SELLS CINNAMON ROLLS

Cindy's Cinnamon Rolls, Fallbrook, Calif. Projected 1987 sales: $15MM. 43 units 1/1/88. Thomas Harris, president. Cindy Harris, secretary/treasurer.

Cindy's started selling cinnamon rolls in 1985, just as the craze started. The stores, located in regional malls, offer

4-inch-high rolls for $1.35. Caramel nut rolls and apple strudel rolls sell for $1.49. The original cinnamon roll is the best-seller, according to Thomas Harris, president. Average unit volumes are $350,000. Checks average $4. Top stores sell about 20,000 rolls a month. Food costs run just over 15%.

The company does not advertise, but relies on the smell of baking rolls to attract impulse buyers. Workers mix and bake the rolls in display kitchens, adding to the customer's cinnamon-roll experience.

Cindy's began franchising in January 1986. The franchise fee is $25,000; royalties are 5%. The company opened 23 units in 1987 and plans to open 30 next year. The sole company-owned unit is located in Fort Collins, Colo. Franchised units are located in Washington, D.C., and Hawaii. Most growth is taking place in the Northeast. Harris says he will be happy if 100 shops are operating within five years.

CINNAMON SAM'S®

SAM, SAM, CINNAMON MAN

Cinnamon Sam's, Overland Park, Kan. Projected 1987 sales: $10MM. 60-70 units 1/1/88. Gerald F. Diddle, president and COO.

Cinnamon Sam's rolls are no ordinary rolls. They are gourmet rolls, says President Gerald Diddle. "Our customers are upscale; they are willing to pay for quality."

The stores also offer blueberry, apple streusel and bran muffins, Bundt cakes, hot cross buns and cinnamon-raisin bread. Checks average $3; annual sales per unit range from $250,000 to $325,000.

The four company-owned stores are located in Kansas City, Mo. Franchised units are located all over the country. Cinnamon Sam's has targeted Washington, D.C., as its top market for expansion. Franchising began in November 1986; the franchise fee is $20,000, with 5% royalties plus a 2% contribution to the national advertising budget. The company plans to open 100 to 120 units next year.

Cindy's offers only three varieties.

LIKE A ROLLING SCONE

Rolling Dough Gourmet Bakery, Scottsdale, Ariz. Projected 1987 sales: $1.5MM. 9 units 1/1/88. John Horseman, president; Michael Capriola, vice president of operations.

Rolling Dough has positioned itself between upscale, limited-menu pastry shops and full-line bakeries.

Fresh-ground coffee, espresso, cappuccino and orange juice complement the selection of croissants, bagels, cinnamon rolls and croissant sandwiches, as well as a selection of giant muffins ranging from blueberry to Cheddar cheese and zucchini. "We're versatile; we can adapt to changing trends and tastes," says President John Horseman.

The company was founded in 1987, with start-up capital of about $600,000.

The first two stores were opened in Cleveland-area malls. "High population density reflected in statistics on mall traffic made Cleveland attractive to us," explains Horseman.

Annual sales per unit range from $300,000 to $350,000. The units hold few or no seats. Checks average $3.75. Rolling Dough spends 2% to 4% of sales on advertising.

Aggressive franchising plans are under way, says Horseman. The franchisee fee is $20,000 for the first unit, $5,000 for each additional unit; royalties are 5%. The company plans to open 25 units next year.

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RollingDough
GOURMET BAKERY

1987 GROWTH CHAINS

TREATS

Several new chains operate on the premise that not everybody wants to ruin a diet. Low-fat yogurt, no-fat frozen desserts made from tofu and cookies safe for diabetics attract those who want to have their sweets and eat them, too.

LIKE GRANDMA USED TO MAKE

Grandma Jan's Cookies, Newark, Ohio. Projected 1987 sales: $240,000. 2 units 1/1/87. Jan Luce, president; David Luce, vice president.

Grandma Jan's specializes in "large, soft cookies, like Grandma's," says President Jan Luce. Seven varieties of cookies and two kinds of brownies account for most sales. Sugar-free cookies and cakes that come with an exchange sheet appeal to dieters as well as diabetics, for whom they are intended. The units are located in food courts. Checks average $1.79.

The company was founded in June 1984 with start-up capital of about $10. "I started it in my kitchen," says Luce. All units, located in Ohio, are company-owned. Luce has not yet set franchising plans, but has firm ideas about prospective employees. "In order to work for me, you have to be over 50. I look for grannies and grandpas."

AS PURE AS THE DRIVEN SNOW

Freshens, Atlanta. PC: Yogurt Ventures USA. Projected 1987 sales: $15.75MM. 70 units 1/1/88. Richard Stern, chairman; John Stern, president.

Richard and John Stern, two fitness-oriented men driven to find a flavorful frozen yogurt, opened Freshens in 1985 after two years in the laboratory.

Freshens serves all-natural yogurt with a taste and texture like premium ice cream. The stores rotate 20 core flavors; one flavor is chosen as the flavor of the month. Chocolate and vanilla waffle cones, shakes, floats and sundaes supplement the yogurt menu.

Freshens sprinkles Cookie Cake Crumbles, gourmet cakes baked whole, then crumbled, on top of frozen-yogurt treats. Crumble flavors include fudge nut brownie, Amaretto almond and double lemon zest.

Freshens' stores average $225,000 in annual sales. Each unit has 18 seats. Checks average $1.39. The company began franchising in 1985; franchise fees are $17,500 with 4% royalty. The company spends 4% of gross sales on radio and print advertising.

Freshens serves frozen yogurt.

Non-dairy treats at The Tofutti Shop.

LOTS OF TASTE, LITTLE GUILT

The Tofutti Shop, Rahway, N.J. PC: Tofutti Brands Inc. Projected 1987 sales: $2.5MM. 4 units 1/1/88. David Mintz, chairman and CEO.

"It's a dessert wonderland," says CEO David Mintz. "Desserts don't have to be bad for you."

Operating under that philosophy, Tofutti offers brownie-fudge cheesecake, cherries Jubilee, cookies, muffins and Danish pastries, all made with cholesterol-free tofu, in addition to the signature frozen dessert. Annual sales per unit range from $500,000 to $750,000. Checks average $2.75.

The company-owned unit now in operation is located in New York City. The single franchised unit is located in Teaneck, N.J. Tofutti began franchising this year; the fee is $25,000 with 5% royalties. The company spends 5% of sales on advertising.

Expansion plans call for "steady growth" during 1988. Franchise deals for Germany, Canada and several Scandinavian countries are pending, and Mintz says the Soviet Union is showing interest in the The Tofutti Shop.

1987 GROWTH CHAINS

DRIVE-THRUS

Burgers have monopolized the drive-thru-only segment, but not this year. Drive-thru Italian and Mexican chains are a dream come true for the '80s fast-food patron, since they add variety to the speed-and-price formula. Even burger drive-thrus now offer breakfast and desserts.

SPAGHETTI, MEATBALLS TO GO

Bambolino's, Houston. Projected 1987 sales: n/a. 11 units 1/1/88. Drew Pollen Jr., president.

"Double Big" pizza—two slices of a 16-inch pie—anchors sales at Bambolino's, The Original Drive-Thru Italian Restaurant. The best-selling variety is pepperoni, which, at $1.59 a slice, accounts for half of pizza sales. Pizza in any form accounts for 75% of total sales.

Customers in the mood for something besides pizza can order spaghetti with meat sauce, meat lasagna, the daily combination special, Italian salad with creamy dressing, garlic bread or icy Italian lemonade. Everything except the pasta is made every day in the kitchen, which takes up 80% of the 275-square-foot movable building.

Bambolino's customers are served in two minutes or less. Picnic tables outside the restaurant accommodate walk-up customers who want to eat right away. The units are open from 11 a.m. to 11 p.m. daily. Checks average $3.50. Annual sales per unit average $275,000.

Expansion plans call for at least 15 new units in 1988. Plans for franchising are still in the works.

Lolita's Tex-Mex Cantina, San Antonio

SPICY BUT NOT TOO FIERY

Lolita's Tex-Mex Cantina, San Antonio. Projected 1987 sales: $3MM. 10 units 1/1/88. Roger D. Leclerc and Allan H. Sewell, founders.

The first Lolita's opened last January under the direction of Roger Leclerc, formerly of Quik Wok, and Allan Sewell, formerly of Steak & Ale. Lolita's food is spicier than that at most Tex-Mex restaurants, but not hot enough to scare away the masses. The menu includes several fajita varieties, breakfast tacos and *empenadas* (fruit-filled deep-fried pastries). Checks average $3.50; annual sales per unit average $500,000.

Everything is prepared fresh daily in the 508-square-foot building, 90% of which is the kitchen. The first five restaurants are stick-built; the company planned to use a modular building after the fifth unit.

The company, which says it does not believe in "growth for growth's sake," plans to open 25 more units in 1988, with a balance between company-owned and franchised stores. Target areas are New Mexico, Arizona and West Texas. The franchise fee is $17,500, with 4% royalties. The company spends 5% of gross sales on advertising.

BISCUITS AND BURGERS

Skooters, Birmingham, Ala. Projected 1987 sales: $3.2MM. 12 units 1/1/88. Richard Wann, president.

Skooters may have the most extensive menu of any of the dozen or so burger drive-thru chains now dotting the country. Breakfast biscuits, chicken sandwiches and Skooterblasters, a mix-in dairy dessert, appeal to customers who want food fast, but desire more than burgers and fries.

The chain, however, started off with a limited menu of burgers, fries, soft drinks and shakes. The chicken sandwich, a bow to health-minded customers, was introduced three months after the first unit opened. Skooterblasters were introduced last July to liven afternoon sales and now account for 15% to 20% of total sales. Annual sales per unit average $350,000. Checks average $1.90 at breakfast and $3 at lunch and dinner.

The company plans to open between 60 and 80 new units in 1988, most of which will be franchised. Expansion territories include Indiana, Florida, North Carolina and Alabama. The franchise fee is $10,000, with 5% royalties. Skooters is independently owned; management is considering a public stock offering.

SKOOTERS

Burger Inn

DRIVE UP, WALK IN, SIT DOWN

Burger Inn, Cheyenne, Wyo. PC: Ferrari Management. Projected 1987 sales: $3.5MM. 15 units 1/1/88. David Ferrari, president.

Burger Inn was founded in 1968 in Oklahoma City by G.L. Baldwin, and was bought by Ferrari, a Burger Inn franchisee, in 1981.

Burger Inn offers its franchisees a choice of three units. An 800-square-foot unit has two drive-thru windows and 26 inside seats. A deluxe, 1,650-square-foot building has seating for 64, plus one drive-thru window. Optional solariums on the larger models give room for more seats. These two units offer a full menu that includes burgers, fries, hot dogs and a variety of sandwiches.

A 400-square-foot unit comprising two drive-thru windows and one walk-up window was introduced earlier this year and put Burger Inn in the drive-thru-only league. The unit can be stick-built on site or built in Wyoming and shipped to the site. These units offer only burgers, fries and soft drinks.

The company plans to open 15 units in 1988. Franchise fee is $15,000, with 4% royalties. Averages sales per unit are $400,000. Checks average $3.12.

KEEP THOSE BURGERS MOVING

Hamburger Express, Barberton, Ohio. Projected 1987 sales: $1.5MM. 15 units 1/1/88. Russ Mazzola, chairman.

Russ Mazzola doesn't mince words. "We intend to be the next McDonald's," says the chairman of Hamburger Express, a double drive-thru-only chain that offers single and double plain burgers and cheeseburgers, hot dogs, fries, soft drinks and milkshakes.

In June of this year, Hamburger Express sold burger No. 200,000, perhaps proving to management that such a limited menu can draw customers. A large burger, fries and soft drink sell for $1.89. Checks average $2; the units average $32,000 a month in sales.

In fact, everything at Hamburger Express is limited. There's no parking lot, no restrooms, no playgrounds and no dining room. The 440-square-foot units carry a turnkey cost of $150,000. No frills enable Hamburger Express to "serve 'em bigger-better-cheaper."

While the majority of drive-thru-only burger chains choose to build their strength in the South, Hamburger Express is tackling the Midwest. The company opened its first unit in February in Northeast Ohio and followed with 14 more in the same region. In 1988, however, the company plans to open 30 units in the Midwest. The franchise fee is $7,500, with 4% royalties.

Hamburger Express

A KINGLY SORT OF DRIVE-THRU

Castleburger International Corp., Fort Lauderdale, Fla. Projected 1987 sales: $3MM. 14 units 1/1/88. Linda Biciocchi, president.

The "international" in the title refers to the fact that several Castleburger investors are in the Far East. And within a few years, that is where several new units will be located. South Florida is home to most of the units now in operation.

The drive-thru units, which average 1,200 square feet, feature 1-ounce hamburgers, delivered to the stores daily. The little burgers sell for 37 cents each. Cheeseburgers cost 47 cents.

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1987 GROWTH CHAINS

DRIVE-THRUS

Several drive-thru chains started out with limited menus and service, then expanded both to accommodate regulars looking for a change of pace.

TEX, MEX MEET AT JUNCTION

Fajita Junction, San Antonio. Projected 1987 sales: $14MM. 50 units 1/1/88. Tom Turner, president.

Fajita Junction lays claim to being the first Mexican drive-thru-only chain in Texas, and possibly the first in the country. The chain was founded in 1985.

The menu features beef and chili fajitas, taco salad, enchiladas and a breakfast taco stuffed with bacon and eggs.

The company began franchising this year. The franchise fee is $17,500, with 4% royalties. Expansion plans call for 50 units to open in 1988. New Orleans is one of the Fajita Junction's target areas.

Fajita Junction

JR.'S GETTING BIGGER

Jr.'s Hot Dogs International, Lake Arrowhead, Calif. Projected 1987 sales: n/a. 21 units 1/1/88. Roy Wander Wall, founder and chairman.

Roy Wander Wall, a former meat cutter, opened the first Jr.'s in 1969 after he invented a special beef and pork hot dog with a fat content far below government maximums. Jr.'s dogs are served Chicago-style, on steamed buns with onions, tomatoes, mustard, relish, cucumbers and seasoning.

Chili dogs, Polish and Italian sausage, a beef sandwich and cheese fries also are on the menu.

The company began franchising this year. Of the 21 units now open, four are company-owned and 17 are franchised. Jr.'s has divided the country into 56 master franchise regions, each of which will be sold to an individual or investor group for $75,000. The regional franchisee can then sell one local franchise for each segment in the region with a population of 15,000.

Franchisees can operate the stores as takeout restaurants, with or without seating, or as drive-thrus.

Jr.'s Hot Dogs

SEATS SPECKLE SPANGLES

Spangles, Wichita, Kan. Projected 1987 sales: $8MM. 11 units 1/1/88. Craig Steven, president.

Spangles started in 1978 when the founders took over a failed fast-food store. Spangles units offer drive-thru, but also seat 100 people. The buildings are designed with a three-sided atrium. Stuffed potatoes, chili dogs, sandwiches and a nacho bar are offered along with the requisite hamburger.

The units are free-standing and compete with the four big burger chains, says Dale Steven, vice president. Annual sales per unit average $800,000. Checks average $3.50.

All Spangles are company-owned. "We want to get growth pains under control before we start franchising," says Steven. After franchising gets under way, the company will consider a public stock offering.

1987 GROWTH CHAINS

CASUAL/THEME

Concepts featuring red meat, from prime rib to pork ribs, continue to sprout and thrive. Seafood and chicken, of course, remain popular.

SEAFOOD, CARIBBEAN-STYLE

Key West, Dallas. PC: S&A Restaurant Corp. Projected 1987 sales: n/a. 6 units 1/1/88. Dennis Hood, senior vice president, concept head.

The mood is casual, like an island vacation. Wicker furniture, paddle fans, and plantation shutters remind diners of a Key West dwelling.

Seafood, Caribbean-style, accounts for about half the menu. Signature items include stone crab claws, beer-boiled shrimp, conch chowder, conch fritters, smoked chicken, baby back ribs, beer cheese soup, banana muffins and Bimini-bread sandwiches. Dessert offerings include macadamia-nut ice-cream pie and, of course, Key lime pie. Entree prices range from $3.95 to $12.95.

"Curious, innovative consumers" are attracted to S&A's newest, smallest concept, says a company spokeswoman. The 5,800-square-foot building seats 224 people in several theme rooms, such as The Caribbean Room, Hemingway Room, Florida Room and the Gallery, decorated with original work by Key West artists.

The first Key West opened last year in Clearwater, Fla.; a second opened earlier this year in Dallas. Annual sales per unit average $2.5 million to $3 million. Check averages and percentage of sales from alcohol were not disclosed.

Key West: Stylish seafood from S&A.

THIS LITTLE RIBBY GOES HOME

Ribby's, Dallas. PC: USACafes. Projected 1987 sales: $500,000. 2 units 1/1/88. Jeff Rogers, president, USACafes.

Ribby's ribs go anywhere—to the table for eat-in diners, out the drive-thru window, over takeout counter, or to homes via the delivery truck. And there's more. Beef brisket, smoked ham and combination ham, cheese and beef brisket sandwiches, Rib-B-Cue smoked pork sandwiches, Cajun-fried chicken, barbecue beans, french fries, coleslaw and smoked potatoes satisfy customers who want something different, yet filling.

Ribby's best selling item is the ribs, followed by the Rib-B-Cue sandwich. In keeping with the family feel of USA-Cafes' Bonanza restaurants, Ribby's does not serve alcohol.

Annual sales at the two units average $450,000 to $550,000. Checks average $13 to $15 on delivery orders, $6 to $6.25 on drive-thru orders, and $5.25 to $5.50 on walk-up orders.

USACafes opened the first Ribby's this year after looking at research that showed pizza, delivery and barbecue led the pack in consumer patronage of specialty restaurants. USACafes plans to expand Ribby's next year.

Bonanza franchisees, both direct franchisees and area developers, will get first crack at franchising Ribby's.

MORE THAN A HILL OF BEANS

Brick Oven Beanery, Golden, Colo. PC: American Beaneries. Projected 1987 sales: $3MM. 8 units 1/1/88. Ross Johnson, founder.

Brick Oven Beanery people call their concept "honest fast food." Nothing on the menu is grilled or fried. Instead, slow-roasted turkey with sage-nut dresssing, skin-on mashed potatoes,

1987 GROWTH CHAINS

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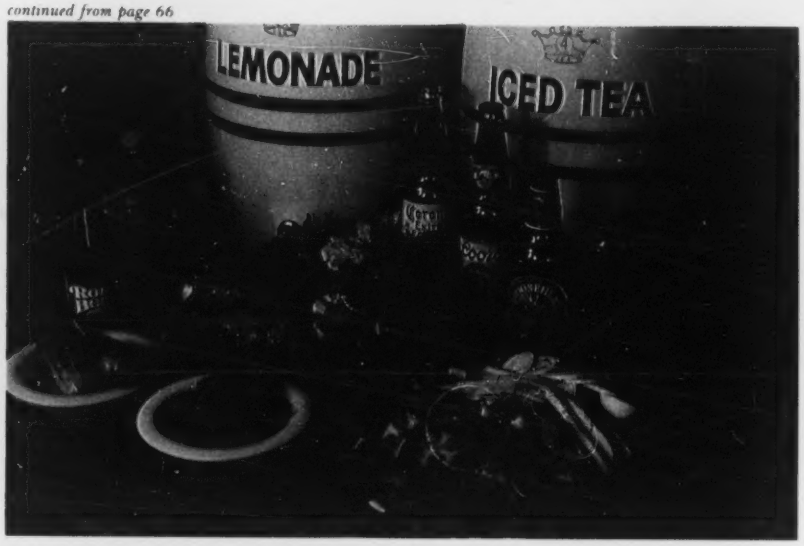


Nothing fried or grilled on Brick Oven Beanery's "honest" menu.

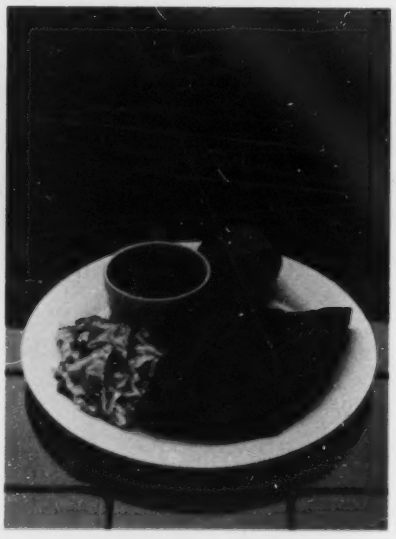
fresh bread with horseradish mayonnaise, Louisiana Cajun gumbo, roast beef and ham are cooked in a display kitchen and served cafeteria-style.

"We're competing in speed and service against the fast-food chains, but we have better food," says Ross Johnson, who opened the first Beanery in July 1984, in Boise, Idaho. Unlike the fast feeders, the Beanery sells alcohol: "If you have five guys going to lunch and four want iced tea and one wants a martini, you can bank on who decides where to go," explains Johnson.

American Beaneries operates one Beanery in Denver, as well as the original in Boise. Discus Corp., the Fuddruckers franchisee, has opened a Beanery in Roseville, Minn., and plans to open several more. Discus, however, has dropped "Beanery" from the name, and changed the concept from self-service to full-service.

Beanery restaurants seat about 105 people. Annual sales per unit average $450,000 to $650,000. Checks average $4.90 to $5.10 at lunch and $5.90 to $6 at dinner. Alcohol accounts for 8% of sales.

Ribby's features ribs, all ways.



O'STEAK, O'SEAFOOD, O'RIB

O'Charleys Inc., Nashville. Projected 1987 sales: $16.5MM. 15 units 1/1/88. David Wachtel, president and CEO.

O'Charley's started out as a franchisee of Luther's Barbecue and had two Luther's in operation when, in 1983, management decided to remodel them into O'Charley's.

The full-service restaurants feature prime rib, steak and seafood. Prices range from $6.50 for a half-pound chopped sirloin steak to $11.95 for a steak-and-shrimp platter. Quiche, stuffed potatoes, salads and croissant sandwiches appeal to customers not interested in a big meaty meal.

Sunday brunch, served from 10:30 a.m. to 3 p.m., is popular among O'Charley's customers. The 23-item menu includes Eggs Benedict, prime rib, ham and eggs, omelets, burgers and sandwiches.

Checks average $6 at lunch, $11 at dinner and $10.50 at Sunday brunch. Alcohol accounts for 25% of sales. Annual sales per unit average $2 million. The restaurants seat about 225.

All nine company-owned units are located in Tennessee. O'Charley's began franchising in 1986. Company officials would not disclose franchise fees or royalties. The three franchised units are located in Mobile and Birmingham, Ala., and Biloxi, Miss.

The company recently bought Bennigan's stores in Nashville, Lexington, Ky., and Huntsville, Ala., with plans to convert them to O'Charleys.

O'Charley's spends 2½% of sales on advertising, which includes a strong point-of-sale program.

Wildwood: "Flavors of America."

FROM THE CHICKEN-GO-ROUND

Wildwood Restaurants, Tampa. Projected 1987 sales: $4MM. 4 units 1/1/88. George Burkhardt, president.

Billing themselves as "The Flavor of America," Wildwood Restaurants offer rotisserie chicken, mesquite-grilled baby back ribs, hamburgers, seafood, prime rib, fajitas—a grand total of 730 entrees. Wildwood tosses in a full, on-premises bakery to strengthen its appeal to young professionals, with or without children. The 225-seat restaurants are decorated with mahogany, earth-tone marbles and plants.

All four restaurants are company-owned. Annual sales per unit average $1.8 million. Checks average $7 at lunch and $11 at dinner. Alcohol accounts for 20% of sales.

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1987 GROWTH CHAINS

CASUAL/THEME

Entertainment, from piano bars to comedians, is coming back to casual eateries. After dinner, patrons sit back and listen, often with a drink in hand, boosting alcohol sales.

KEEPING PATRONS IN STITCHES

Governor's Comedy Shops, Levittown, N.Y. Projected 1987 sales: $1.1MM. 4 units 1/1/88. William J. Reilly, chairman and president.

Small-scale venues for stand-up comics were relatively new when William Reilly opened the first Governor's in 1981 on Long Island. His target areas remain small cities near big cities: Clearwater, Fla.; Newport, R.I.; Stanford and Hartford, Conn.

The menu follows the standard fern-bar format, with hamburgers and sandwiches as the mainstay. Alcohol accounts for 60% of sales. Sales per unit average $500,000.

A TASTE OF NEW ORLEANS

Achafalaya River Cafe, Houston. Projected 1987 sales: $17MM. 3 units 1/1/88. Richard and Glenna Tanenbaum, owners.

It's all in the name: Achafalaya, named after the New Orleans river basin teeming with crawfish, serves Cajun and Creole seafood, chops, steak and pasta to the strains of jazz music. The ambiance and food attracts the 22- to 45-year-old crowd, says Ann Lawes, vice president of operations.

Richard Tanenbaum, who for 10 years operated the Monument Inn restaurant in Houston, fashioned Achafalaya out of a second Monument Inn "that was doing all right, but not great," says Lawes. Tanenbaum decided to transport the eating experiences of his days at Tulane University to the Houston area.

The decor oozes New Orleans, from the balconies outside to the Mardi Gras posters on the wall. "It looks like something you'd find in the French Quarter," Lawes says. To make sure the spirit sinks in, diners are presented with Mardi Gras beads.

Two River Cafes are located in Houston, and one is in Dallas. The 210-seat units average $5 million in sales per year. Checks average $9 at lunch and $17 at dinner. The best-selling item is blackened redfish. Alcohol accounts for 30% of sales in Dallas and 25% of sales in Houston.

The company is opening another cafe in Arlington, Texas, in November and one in Clearlake (just south of Houston) after the first of the year. All units will be company-owned; the Tanenbaums have not ruled out franchising as a way to grow.

WEST-COAST CAFE SOCIETY

California Cafe Bar & Grill, Mill Valley, Calif. Projected 1987 sales: $14MM. 10 units 1/1/88. Robert A. Freeman, chairman and president.

The owners of California Cafe set out to "lead the trends, not be part of them," says President Bob Freeman. The restaurants specialize in grilled seafood, house-smoked meats, foods of the Southwest, as well as "good old American hamburgers."

California Cafe patrons range from movie-goers to the black-tie crowd. The restaurants, which seat 200, are decorated in soft pastels designed to reflect a tranquil vineyard setting. A piano player entertains diners nightly, as do the cooks in the exhibition kitchen. Patio dining and cocktails-only service also are available. Checks average $10 to $15 at lunch and $20 to $26 at dinner.

In addition to a full bar, California Cafe offers a full wine list that showcases California wines. Alcohol accounts for 30% of sales.

All California Cafes are company-owned and located in San Francisco and the surrounding area. Novato, Calif., is home to a sister restaurant, a '50s style diner called "California Diner."

California Cafe: Out to beat trends.

1987 GROWTH CHAINS

SANDWICHES

Part of the fast-food crowd always will pass up a burger for a big, hot sandwich. Philadelphia cheesesteaks, once exclusive to that city, are moving west. Sandwiches stuffed into fresh-baked breads prove popular with lunchers.

A CHEESESTEAK BY ANY NAME

Mr. Philly, Cleveland. PC: Restaurant Developers Corp. Projected 1987 sales: $26MM. 200-300 units 1/1/88. Robert A. Coulson, president.

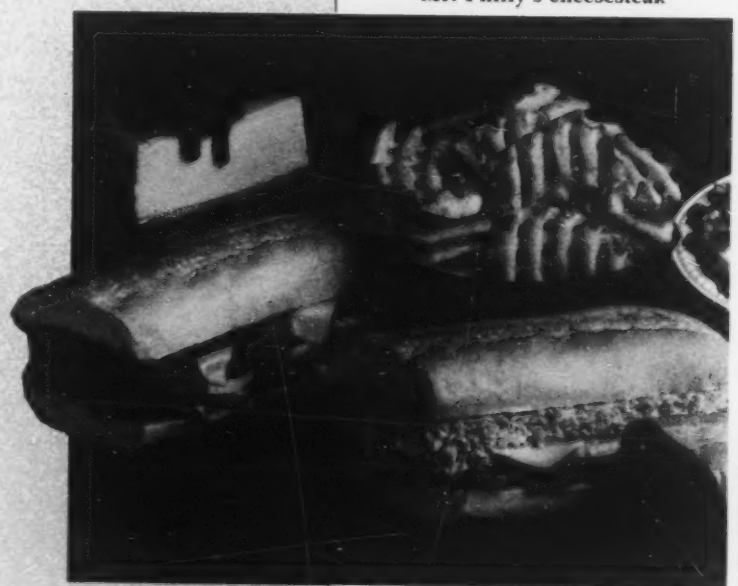
Mr. Philly features Hot Buttered Cheesesteak sandwiches, which consist of thin-sliced steak, melted cheese and mushrooms and onions piled on a hearth-baked roll. The Romanburger features two hamburgers, melted Swiss and American cheese, and grilled luncheon meat on a bed of garden salad in a roll. A tuna-and-cheese sandwich, salads, cheesecake, waffle-cut french fries and soft drinks finish the menu.

Restaurant Developers Corp. also operates Mr. Hero restaurants, which offer a complete line of submarine sandwiches. Those units, however, are being converted into Mr. Philly stores, and will adopt the Mr. Philly menu as well as the name.

Mr. Philly targets 22- to 49-year-olds who are more upscale than the usual fast-food crowd. The units are designed for five locations: city storefront, indoor mall, shopping center outlot, freestanding and strip-center.

The company is in the middle of a strong drive for franchisees. Franchise fee is $17,500, with 4% royalty charge and 6% contribution to the national advertising budget.

Mr. Philly's cheesesteak



The Steak Escape's cheesesteak

PHILLY SPECIALTY GOES WEST

The Steak Escape, Columbus, Ohio. PC: Escape Enterprises. Projected 1987 sales: $18MM. 35 units 1/1/88. Kennard Smith, chairman.

Philadelphia cheesesteaks, two types of ham sandwich, a vegetarian sandwich, fresh lemonade, soft drinks and french fries make up the whole menu at The Steak Escape. (The french fries are hand-cut and fried in peanut oil.) All items are prepared in a display kitchen, allowing the chain's food-court and mall customers to watch their order in the making.

Founder Ken Smith "discovered" cheesesteaks on the East Coast and opened the first unit in 1982 with a budget of about $100,000. The only company-owned unit is located in Columbus. Franchised units are located in California, Missouri and Louisiana, as well as Ohio. The company plans to open 25 units next year.

SUCCESSFUL STUFF

Stuff Yer Face, New Brunswick, N.J. Projected 1987 sales: $2.3MM. 4 units 1/1/88. Bill Washawanny, president.

The restaurant name is an invitation to eat. Heartily. Which is what people have been doing at the first four units. While the menu offers a variety of pizza, burgers, salads, and hot and cold sandwiches, 90% of the food orders taken at Stuff Yer Face are for strombolis, Italian-style closed sandwiches with bread baked around meat, vegetable and seafood fillings.

"When we first started, we only had one stromboli on the menu," says company President Bill Washawanny, "But it caught on so well we started adding more, until we ended up with the 50 varieties we offer today."

Washawanny is set to spread the stromboli's popularity further. The company started advertising to attract potential franchisees in July. Stuff Yer

Face is offering the first six to 12 franchises at a cut rate of $5,000 (normal rate $25,000). The only limitation is that they be in the New Jersey area for quality control purposes. Once those are established, Washawanny hopes to expand into other cities.

TASTE OF NEW YORK

Carnegie Deli, New York. Projected 1987 sales: $12MM. 4 units 1/1/88. Freddie Klein, vice president of planning and finance.

There's a scene in Woody Allen's film "Broadway Danny Rose" where the camera pans across a harbor, catching the name of a boat, "Freddy the K."

"That was for me," says Freddy Klein, vice president of planning and finance at the New York-based Carnegie Deli where Allen sometimes eats. Klein chuckles about the scene but gets serious when he talks about expansion plans for the deli he runs with three other partners: Leo Steiner, Milton Parker and Leon Sverdlen.

Eleven years ago the group bought the deli, which included the famous New York location and an unsuccessful Florida site. They closed the Florida store, opened a site in Atlantic City and then opened a new store in Florida. Most recently the group opened a fourth deli, in the Embassy Suites Hotel in Secaucus, N.J. On the horizon is a deli to be built in Boston and one in Chicago. There's also been talk that Carnegie will be the official feeder for the Olympics in Seoul, Korea.

SANDWICHES, SALADS GALORE

A.S. Gamm's, Woodlands, Texas. Projected 1987 sales: $1.2MM. 6 units 1/1/88. Sandy Billings, president.

A.S. Gamm's prides itself on fresh ingredients, according to President Sandy Billings. The limited menu includes 11 sandwiches, ranging from roast beef to vegetarian, all priced at $2.99. Topped potatoes, soup and salads round out the menu. Beverages include imported and domestic beer, wine, coffee, milk, bottled water, iced tea and soft drinks. Cheesecake and Key lime pie anchor dessert sales.

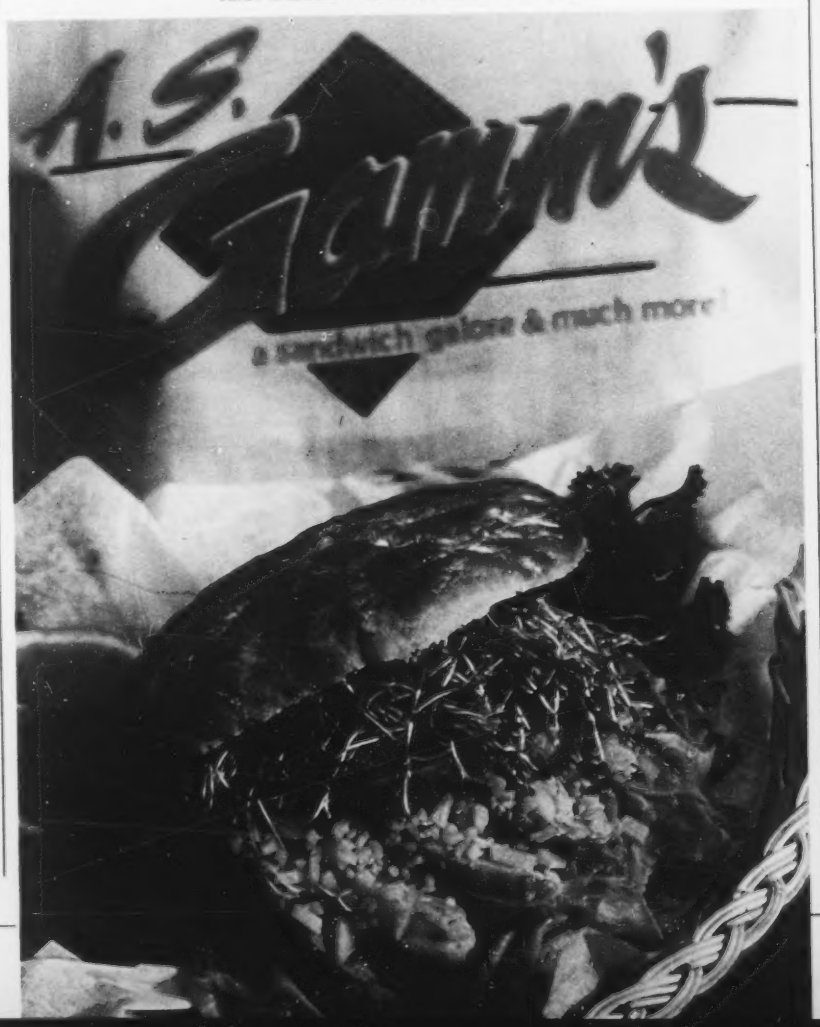
Nearly every menu item incorporates Galore bread, baked fresh in the store several times a day. Sandwiches are made on Galore bread, and salads are served with Galore toast.

The menu is tailored for the lunch crowd, which accounts for 65% of sales, and for families, which account for a large part of weekend sales.

The first A.S. Gamm's opened in 1986. All units are company-owned and located in the Houston metropolitan area. Franchising will begin next year with two units, one in Corpus Christi, Texas, and one in Dallas. The franchise fee is $15,000.

Annual sales per unit range between $225,000 and $250,000. Each unit holds 100 seats. Checks average about $4. Beverage alcohol accounts for less than 20% of sales.

A.S. Gamm's features Galore bread.



1987 GROWTH CHAINS

RETAIL

Food and beverage counters in mall retail shops draw shoppers in need of a quick cup of coffee or a wholesome, freshly made sandwich.

SWEET SLICES OF SUCCESS

Logan Farms Honey Brand Hams, Houston. Projected 1987 sales: $1MM. 5 units 1/1/88. J. Pink Logan Jr., president.

J. Pink Logan didn't exactly jump into the ham business. He sort of spiraled. A mechanical engineer involved in sales of hydraulic cylinders who happened to have a generation of smokehouse expertise in his family background, Logan repaired a spiral-ham-slicing machine for a friend. Intrigued with the device, Logan invented his own model and started selling it. Not long after, watching throngs of Christmas shoppers line up for hams, Logan says he realized "a lot more people were interested in buying the hams than the machines." With that, Logan invested in his first shop.

That was 1984. In the years since, Logan has built a solid business that now includes two company-owned and five franchised gourmet meat shops. Product lines include pecan-smoked meats, peppered boneless hams, pork and beef sausages, marinated roasts and a honey-cured turkey in addition to the signature ham, which sells for $30. Logan says 70% of the meats sell during fall months and holidays. During off seasons, stores keep sales figures up via gourmet sandwich sales.

Spiral-sliced hams at Logan Farms.

Gloria Jean's, by the cup or bean.

GOURMET BEAN ON THE GO

Gloria Jean's Coffee Bean Corp., Arlington Heights, Ill. Projected 1987 sales: $8MM. 41 units 1/1/88. Ed Kvetko, president, co-owner, Gloria Jean Kvetko, co-owner.

Ed Kvetko makes transitions with apparent ease. He's shifted from gourmet coffee aficionado (he drinks 12 to 15 cups a day) to co-owner (with his wife) of a thriving coffee bean shop and has transferred the energies of his custom home building company to custom building many of the chain's shops that are now being franchised across the nation.

The Kvetkos started Gloria Jean's with one shop in quaint Long Grove, Ill., in 1979. That set the precedent for stores that followed. Each offers 40-plus varieties of premium coffee beans, 12 to 15 varieties of tea and beverage-related gifts.

Most shops are located in regional shopping malls and occupy 700 to 800 square feet. Seating is limited, but some franchisees choose to include espresso bars and pastry counters.

Franchising started in 1986 with the 11th store. The company now encompasses 31 franchised units, 10 company-owned. The franchise fee is $17,500, royalties 6%. Look for 60 to 75 new franchised units to go up annually for the next five years.

1987 GROWTH CHAINS

DINERS

Funky but oh-so-chic: Diners offer calamari and crab to those who turn up noses at meat loaf and mashed potatoes. Real chefs instead of short-order cooks man the kitchens, but wise-cracking waitresses rule the front of the house.

LITTLE GUY HAS BIG DREAMS

J.B's Deluxe Diner, Dallas. Projected 1987 sales: $450,000. 5 units 1/1/88. Jack Benjamin Ingber, CEO.

At nine months old, Jack Benjamin Ingber is probably the youngest CEO in Growth Chain history. "But he's definitely the boss," says his father, Douglas Ingber. "When he yells, we jump."

According to Papa Ingber, a chef who spent much of his life in New York, the idea for J.B.'s diner was born long before its namesake. "Texas was in need of a good diner. This state has had its problems for bankers, real estate developers and oilmen for some time now. We figured a diner was just the place to provide food and comfort to the ever-increasing groups of down and outers."

J.B.'s looks like a traditional diner. The food ranges from typical diner meat loaf to calamari.

Expansion plans call for 20 more diners in 1988 and 15 more in 1989.

SHAKIN' IN THE VALLEY

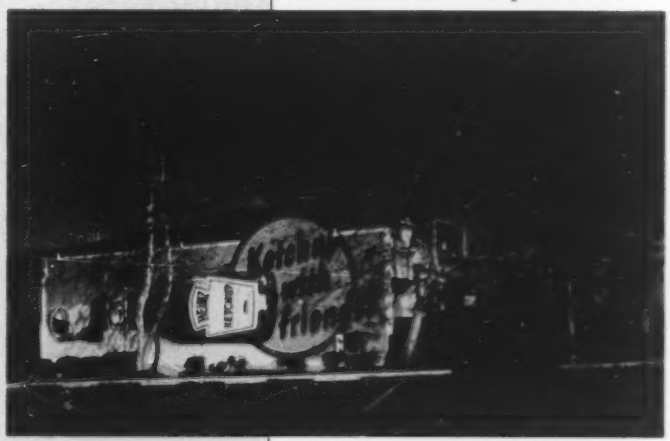
California Earthquake Cafe, Mission Valley, Calif. Projected 1987 sales: $1.7MM. 1 unit 1/1/88. Kim Peterson, president.

Here's a switch: They named the diner for the sportswear line, instead of vice versa. According to President Kim Peterson, the owners borrowed the California Earthquake moniker from designer Doug Wilson, whose sportswear lines are sold in major department stores. In keeping with the modern diner approach—which the owners call contemporary deco-style—the diner is turquoise, hot pink and yellow.

Also contemporary is the menu, with selections such as avocado tempura with blue cheese dressing.

The flagship cafe is located in a former Victoria Station restaurant. The company has purchased defunct Victoria Stations in Los Angeles, Orange County, Calif., and Denver for future California Earthquakes.

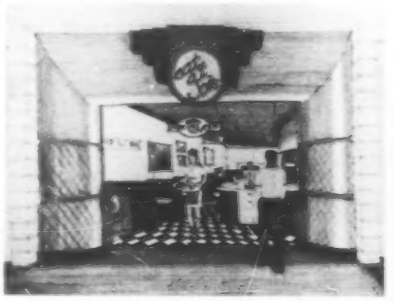
California Earthquake Cafe



MALL-VERSION MALT SHOP

Eat at Joe's Diner, Scottsdale, Ariz. Projected 1987 sales: $3MM. 6 units 1/1/87. Mike Capriola, president.

"We took the essential elements of successful full-service diners and created a down-sized version specifically for food courts and similar areas," says President Michael Capriola.



Eat at Joe's Diner

Stores average 800 to 1,200 square feet and are outfitted with white and black checked floors, neon fixtures, tabletop juke boxes and other '50s memorabilia.

Meal service includes breakfast, lunch and dinner featuring the obligatory meat loaf with mashed potato blue plate special. Lunch checks average $7.50; dinner, $8.

Joe's started franchising this year in Cleveland. Franchise fee is $20,000 with 5% royalties. Company-owned stores are located in Arizona, Ohio, Texas and California. Average unit volume is $1.8 million.

1987 GROWTH CHAINS

LIGHT FARE

After-theater outings and plain old snack attacks provide customers for light-fare chains. Sometimes, the food is the attraction. And sometimes, food acts as a chaser for a glass of wine or mug of beer.

DIPPING THE NIGHT AWAY

The Melting Pot Restaurants, Tampa. Projected 1987 sales: $4.5MM. 16 units 1/1/88. Michael, Bob and Mark Johnston, co-owners.

Fondue, from cheese to white chocolate, is the only entree offered at The Melting Pot Restaurants. Wine sales also are emphasized.

The fondues are prepared with cheese grated fresh every day. Fresh vegetables, bread, fruit, beef, chicken and seafood are available for dipping. Vegetable salads complement the fondue entrees. For dessert, Melting Pot presents its signature item, chocolate fondue with angel food cake, marshmallows and fruit for dipping.

The first unit opened in 1975. Three company-owned units are located in Florida. Franchised restaurants are in Gainesville, Fla., Atlanta, and Raleigh, N.C.

Co-owner Mark Johnston says franchisees in Illinois, Ohio and Michigan have expressed interest in The Melting Pot. Franchise fees are $10,000, with 4% royalties.

Annual sales per unit average $400,000. Each unit seats about 100 diners. Checks average $16; alcoholic beverages account for 23% of sales. The company spends about 3% of gross sales on advertising.

The Melting Pot

THE CURTAIN RISES ON MAX'S

Max's Restaurants, San Francisco. Projected 1987 sales: $15MM. 7 units 1/1/88. Dennis Berkowitz, president.

Concept creator Dennis Berkowitz just opened Max's Opera Cafe of Burlingame, the fifth in the Max's group. The restaurant offers traditional deli fare—pastrami, corned beef and barbecue brisket—as well as rotisserie-cooked duck and stuffed chicken. Grilled skirt steak, fillet of fresh petrale, broiled prawns and potted brisket of beef are other noteworthy entrees.

The newest Max's also offers breakfast. Blueberry buckle, bobka, egg-nog corn-flake French toast, and blueberry and banana pancakes round out the breakfast menu of eggs and omelets.

In keeping with the theatrical spirit, singer servers and bartenders entertain nightly with show tunes and arias.

The chain was founded in 1978 with a start-up capital of "pennies," says a Max's spokeswoman. All seven units are company-owned; the company does not plan to franchise the concept.

MORE THAN BAGELS

S. Kinder, Woodridge, Conn. Projected 1987 sales: n/a. 5 units 1/1/88. Murray Lender, chairman; Marvin Lender, vice chairman; Fred Montgomery, president.

The principals' names give it away: This chain used to be Lender's Bagel Bakeries. The name change came along with the concept change, which transformed the deli-like restaurants into "something between fast food and white tablecloth," according to a company spokesman.

The menu consists of soups, salads, stir-fry dishes, fruit and yogurt, in addition to 17 varieties of fresh-baked bagels. The light fare appeals to women and families, says the spokesman.

Existing units are located in New York City and Connecticut. The company plans to franchise in the future, but would not release details. Average unit volumes and check averages also remain under wraps.

1987 GROWTH CHAINS

FAMILY DINING

Low prices, menus that offer variety and worry-free decors mark chains that families love to patronize. Small portions for kids and seniors sweeten the deal.

HOME-STYLE PRESIDENT

Johnny Appleseed Restaurants, Fredericksburg, Va. PC: Petlin Hotels. Projected 1987 sales: $9.5MM. 9 units 1/1/88. Peter Watts, president.

President Peter Watts often wears a coffee-sack shirt and a tin-pot hat to demonstrate the down-home feeling of his restaurants. The food and ambiance drive home the point: Ham, steak, chicken and biscuits, and fried catfish are served in an atmosphere reminiscent of a 19th-century farmhouse.

Checks average $3.15 at breakfast, $3.90 at lunch and $9.25 at dinner.

Part of the restaurant is designed to remind patrons of a country store. Private-label jams, jellies, cider, syrups and apple butter account for about $200,000 in annual sales.

The first Johnny Appleseed opened in 1973 in New Market, Va., in conjunction with a Petlin-operated hotel. Additional company-owned stores are located in Fredericksburg, Va., and Bedford, Pa. The two franchised units are in Fredericksburg and Dublin, Va. The company plans to open 10 Johnny Appleseeds next year.

Country-style food and ambiance draw families to Johnny Appleseed restaurants.

The Feed Store: Texas home-style fare to carry out or eat in.

COUNTRY FOOD, CITY-STYLE

The Feed Store, Spring, Texas. Projected 1987 sales: $4.5MM. 5 units 1/1/88. Jan Gustafson, CEO.

"Texas Country Cookin' . . . To Go." At Feed Store restaurants, that means beef dinners served with Texas toast and vegetables, topped potatoes, sandwiches, chicken-fried steak and catfish, bagged for carryout and drive-thru customers. (Salad platters are available for carryout and eat-in customers.) "Younger Friends" can choose one meat and one vegetable for $1.99. Catering meets the needs of customers desiring home-style party fare.

The first Feed Store opened in 1978. All the restaurants are company-owned and are located in the Houston metropolitan area.

Annual sales at the 150-seat restaurants average $800,000. Checks average $5.50 to $5.75.

A CHIP OFF THE OLD SQUARE

Taste of Baker's Square, Matteson, Ill. PC: Vicorp. Projected 1987 sales: n/a. 6 units 1/1/88. Jim Peterson, executive vice president of operations in the Midwest.

The big Baker's Square offers burgers, soups and pasta in addition to pies. Taste of Baker's Square restaurants offer the full line of baked goods, but limits the menu to a few hamburgers (billed as Hamburgers for Grownups), quiches and soups. All food can be packaged for carryout. The restaurants hold a limited number of seats. Bakery sales per unit average $400,000 annually; food sales average $650,000 per year.

The Taste of Baker's Square concept was originally slotted for malls. However, the stores now are being built in what the company calls "a variety of retail settings."

MENUS

■ R&I DATA

FOOD COST INDEX: MARKET-BASKET TOTAL SECOND HIGHEST IN A YEAR

Market-basket total for October is $110.61, the highest since March when the total was $111.24 and the second highest since a year ago ($117.43). Interim months averaged $105.57. Contributing to the high total this month are large increases in the price of hamburger (at $1.34, its highest in more than 18 months), breaded fish portions, sugar, frozen green beans and french fries.

		% change	
	10/87	9/87	10/86
Hamburger (lb. 85% lean)	$1.34	6	4
Chicken (lb. cut for frying)	.81	-16	-11
N.Y. strip steak (lb./avg.)	4.03	5	5
Bread (Pullman loaf)	.83	6	5
Lettuce (iceberg/head)	.49	-2	-11
French fries (30 lb.)	12.18	8	0
Tomatoes (lb.)	.63	5	21
Milk (gal.)	1.83	-1	5
Eggs (doz.)	.67	3	-8
Peaches (case/#10)	17.24	-5	-7
Peas (case/#10)	10.72	-10	-11
Frozen beans (30 lb.)	18.25	20	12
Ice cream (vanilla/gal.)	3.41	1	6
Butter (lb.)	1.52	-4	—
Cheddar cheese (lb.)	1.64	-4	—
Sugar (100 lb.)	30.44	9	-3
Coffee (lb.)	2.70	3	-13
Breaded fish portions (lb.)	1.88	11	16

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■ FOOD PRICE UPDATE

The Pendulum Swings Back and Forth on Coffee Prices

Plentiful supplies from Brazil may yield lower coffee prices here in 1988.

Coffee is an integral part of the American dining experience.

Right now coffee prices are stable, and a predicted bumper crop of coffee beans from Brazil may push prices lower. But, not too long ago, things were very different.

In 1985, a severe drought hit the world's major coffee producing country, Brazil. This affected the world supply market prices, even though there are 50 other coffee-producing countries.

As the drought became more prolonged and as the seriousness of the situation (Brazil lost two-thirds of its crop) began to sink in, the market reacted.

The price of green coffee peaked in February 1986. (Foodservice prices remained high until the end of 1986.) Coffee quotas were lifted, allowing other countries to export more coffee, loosening the market.

Now Brazil is expecting a bumper crop. The crop that began to flower in September to produce the crop next spring will be a plentiful supply, according to George Boecklin, president of National Coffee Association, U.S.A. It will be more than the world can absorb, in fact. What does this mean to the restaurateur? If the International Coffee Council agrees to impose new global quotas, then prices may quietly go up, but the effect will not be seriously felt by the foodservice operator. If no quotas are imposed, coffee would be sold off at lower prices.

In other coffee news . . . The results of a survey conducted through the promotion fund of the International Coffee Orangization revealed that in 1987 5% of eating places polled sell coffee for less than 20 cents; 14% price it between 21 and 39 cents; 16% at 40 to 49 cents; 33% at 50 to 59 cents; and 32% sell coffee for 60 cents or more.

—Kathleen Marshall

Coffee prices are currently at $2.70 a pound.

SYSTEMS

6.3% USE RECIPE PROGRAMS

Of the cross-section of foodservice operators responding to the 1987 *R&I* Menu Census questionnaire, only 6.3% answered "yes" when asked if they used a computerized recipe program.

College and university executives were most likely to answer "yes" (21%); hotels came in lowest at 2.6%. Of those using such software, custom or in-house programs were used by 19.1%.

This, of course, does not mean that all respondents saying "no" do not use computer systems, but simply that they are not using them to work with recipes.

■ COMPUTER CENTER

New Software Offerings Include Low-Cost Packages

More vendors unbundle systems modules; six programs sell for $99.

Everybody knows how competition has forced IBM-PC clone prices to rock-bottom levels. Now the computer wars appear to have spread to the foodservice software arena. The results are lower costs plus the option to choose only those functions that are really necessary out of the many modules that make up a larger system. The operator who wants to test the waters before he dives into full computerization is in luck!

Take the offerings from Compuchef. This vendor lists eight programs: daily sales and food purchases forecast, invoice control, weekly schedule planner, menu worksheet, recipe worksheet/recipe review, daily labor control, break-even analysis, and budget forecast/profit and loss. Of these, the schedule planner, the menu worksheet, the recipe worksheet and the labor control modules are all available for $99.

Another software firm new on the scene is Just Discs, which is advertising MenuWise, a food/recipe costing template for Lotus 1-2-3. Again, the price is less than $100.

And Advanced Analytical/Charter House, a longtime foodservice software house, is offering its Restaurant and Bar Inventory program as a stand-alone module priced at $99. Reports issued by the program include current usage, monthly and quarterly usage, inventory reorder, inventory checklist, sales trend analysis, value of inventory on hand and invoice entry audit trail. The inventory module integrates with other AACH programs, including inventory, menu and cost control; payroll; general ledger; accounts payable; accounts receivable; cash register interfaces; and club accounts receivable.

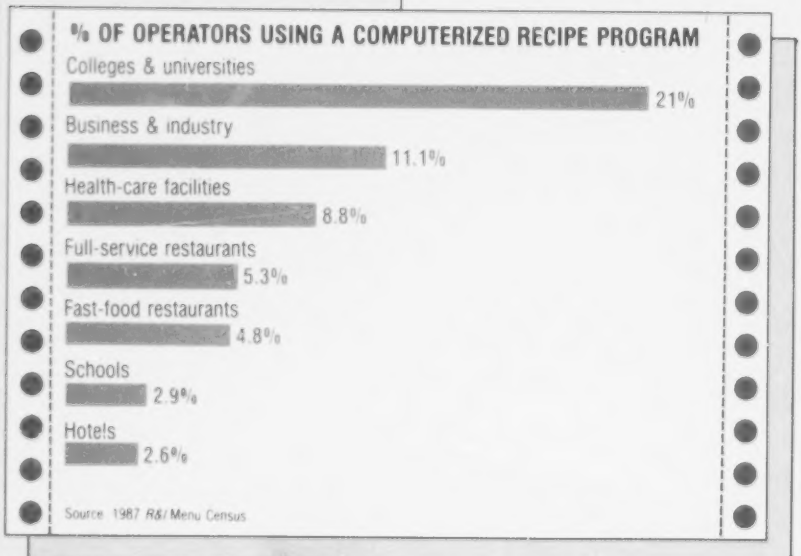
In other software news, Bass Software Systems has released a PC-sized version of its popular check writing Deluxe Restaurant Payroll System, previously used on mainframes and minicomputers by payroll service bureaus. Priced at $545, the system handles reported/allocated tip situations, multiple jobs, and federal and state taxes. System allows for 50 user-defined job descriptions and 50 user-defined miscellaneous deductions as well as automatic calculation of additions to and use from accumulated vacation and sick pay hours.

Another system of restaurant service bureau software that has been "minified" for in-house use is that offered by Stephenson Financial Service. However, unlike all software mentioned previously in this column, the SFS system does not run under PC-DOS but requires hardware such as the IBM-PC/AT or ATT's PC-6300 running Unix.

SFS modules include sophisticated accounting packages, fixed assets reporting, construction accounting, perpetual inventory, menu modeling and lease management reporting. One popular feature of firm's system is its Report Writer, which makes it easy to completely customize financial statements.

—Julie Woodman

For information, see Action Express.



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1350 E. Touhy Ave., P.O. Box 5080, Des Plaines, IL 60017-5080 Phone: 312/635-8800

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RESTAURANTS & INSTITUTIONS (ISSN 0273-5520) is published biweekly (with an additional issue in February, March, June and October) in national, demographic and separate editions by The Cahners Publishing Company, A Division of Reed Publishing USA, 275 Washington St., Newton, MA 02158-1630. William M. Platt, President; Terrence M. McDermott, Executive Vice President; David S. Wexler, Group Vice President; Jerry D. Neth, Vice President/Publishing Operations; J.J. Walsh, Financial Vice President/Magazine Division; Thomas J. Dellamaria, Vice President/Production and Manufacturing. Circulation records are maintained at Cahners Publishing Company, 44 Cook St., Denver, CO 80206-5191. Phone: 303/388-4511. Second-class postage paid at Denver, CO 80206-5191 and additional mailing offices. Postmaster: Send form 3579 to our Denver address. RESTAURANTS & INSTITUTIONS copyright 1987 by Reed Publishing USA. Saul Goldweitz, Chairman; Ronald G. Segel, President and Chief Executive Officer; Robert L. Krakoff, Executive Vice President. Annual subscription rates for non-qualified people: USA, $88; Canada/Mexico, $100; other countries, $125 for surface mail and $210 for air mail. Except for special issues where price changes are indicated, single copies of regular issues are available for $6, $8 and $10 (USA, Canada/Mexico and foreign). Please address all subscription mail to RESTAURANTS & INSTITUTIONS, 44 Cook St., Denver, CO 80206-5191.